

LVMH

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LVMH SUBMISSION
DIRECTORATE GENERAL FOR
INFORMATION SOCIETY AND MEDIA ON:
**Public consultation on the open internet
and net neutrality**
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I. The Business model for Europe

The LVMH Group is delighted to respond to the European Commission's public consultation on "the open internet and net neutrality" and believes the Commission has **rightfully recognised the importance for businesses and consumers of preserving the open and neutral character of the internet, which itself is critical for innovation and growth in Europe.** Just as LVMH has been a pioneer in establishing our brands in new territories around the world, we recognized early on the power of the Internet to give consumers everywhere access to our brands.

Each of our brands is strongly encouraged to invest in robust, innovative digital strategies that allow them to bring their individual heritage and style to a broader range of customers than ever before. This is manifested in their own sites, in their partnerships with other web leaders, and in the way they interact directly with customers online, including through social media. In these efforts, the aim of our brands is to offer an online experience that is differentiated from other e-commerce sites across the web. This means designing best-in-class, personalized and integrated services that

reflect the uniquely creative nature of the brands and to continually ensure they are leveraging the newest technological advances to bring the quality that is associated with luxury alive online.

We believe that **net neutrality** provisions need to be in place to ensure that traffic does not get discriminated and that all consumers in Europe are able to experience our products and websites online in the same manner. In addition standards guaranteeing **interoperability** along platforms and devices are critical for the consumer to continue to benefit from the digital growth. It is essential we avoid lagging behind the US and Asia on this matter.

LVMH has more brands actively engaged with the Internet than any other luxury company globally, with the goal of bringing the luxury experience to consumers online globally. Nearly all brands of the Group are sold online either through their own sites or approved third-party sites that deliver a luxury experience.¹ In addition to e-commerce, LVMH actively supports its brands to have robust interactive marketing/advertising strategies.

¹ For example, Louis Vuitton was one of the first luxury brands to offer e-commerce, launching in the late 90s and now available in several countries. Sephora.com is the largest prestige beauty products site in the US and France, it was launched in 1999. Revenues make it best performing Sephora store in the US in perfumes and cosmetics and second largest store in France right after the Champs-Élysées flagship store.

The LVMH Group's main activities include the design, production, marketing and distribution of luxury goods. The LVMH business model provides consumers worldwide with high-quality products and services that meet consumer demand for excellence. This business model is based on continued innovation, creativity and is marked by ongoing investment in high-skilled manufacturing in Europe, where the vast majority of our products are made. We export over 70% of our products outside of the EU.²

Throughout the economic crisis LVMH continued to grow. LVMH continued to invest in its employees, in innovation, in research & development and in its retail network, online and offline. This strong structural base enabled us to emerge from the crisis unscathed and in the first half of 2010 the Group experienced organic revenue growth of 14%.

The luxury goods industry as a whole is of major importance to the European economy. It employs approximately 800,000 people

(directly and indirectly) in Europe with an annual turnover of approximately €170 billion.³ European citizens understand this, and in a recent survey 69% of citizens said that the industry plays a vital role for the creation of employment and the competitiveness of Europe in relation to the rest of the world.⁴

It is the combination of continuous innovation, highly skilled employment, investments in art, culture and creativity and export abroad that underpin the solid performance of LVMH throughout. Our business model thus strives to reflect the smart, sustainable and inclusive growth the EU's Agenda 2020 is advocating and as such LVMH represents a **sustainable business model** for Europe. Through our products, our services and our communications offered in the digital environment we are already a **major digital stakeholder and digital content provider**.

² LVMH's business model applies to all of the brands of the group, which includes among others Louis Vuitton, Céline, Kenzo, Givenchy, Christian Dior, Guerlain and Chaumet in France; Fendi, Pucci, Stefanobi and in Italy; Donna Karan and Marc Jacobs in the United States; Loewe in Spain; Thomas Pink in the United Kingdom; Tag Heuer, Zenith and Hublot in Switzerland. Moreover, the group counts other prestigious brands in wines and spirits, among them Dom Pérignon, Ruinart, Veuve Clicquot, Krug, Yquem, Cheval Blanc, Numanthia, and Glenmorangie. The LVMH Group is also active in selective retailing and owns Sephora.

³ See: *Luxury: A Growth Driver For 21st-Century Europe - A report by the Boston Consulting Group*; March 2010.

⁴ European perceptions of the luxury goods industry: surveys carried out in France, Germany, Italy, UK and Spain, TNS – SOFRES, September 2009

II. Information and Communication

Technology is one of the key growth drivers for businesses

LVMH's strategic digital vision enables our consumers to emotionally engage with our brands across channels by discovering the richness and diversity of luxury and lifestyle. We believe that the internet as we know it is just one part of the digital revolution we are undergoing as societies today, and as digital content becomes more ubiquitous, sophisticated and accessible across a range of platforms and devices, we will be able to develop exciting new ways of interacting with and reaching our consumers.

With leadership comes responsibility and LVMH takes seriously our commitment to the customers who purchase our brands online and see it as our obligation to offer them the same assurances that they expect when they shop in physical store locations. LVMH strongly believes the Internet is a fundamental tool and channel for increasing the competitiveness of European businesses. It is therefore of paramount

importance to set up the right legal framework that allows companies to operate with full legal certainty both offline and online with respect to brand and consumer protection and to provide certainty for the European consumers when operating in the digital environment.

This means establishing regulations that prevent the proliferation of counterfeiting, trademark infringement as well as updating laws on data security and promoting **net neutrality, interoperability and open standards.**

III. Protecting the consumer: the need for Net Neutrality and an open Internet

The Commission has issued a declaration on net neutrality stating that the EC “attaches high importance to preserving the open and neutral character of the Internet”.⁵ The Telecoms Reform package contains several provisions intending to ensure this open and neutral character.

We support the Commission in this matter and we believe that consumers benefit from having an open Internet that does not discriminate or manage traffic according to provider preferences. We believe there is a good framework in place to deal with net neutrality issues and we ask that the EC monitors the impact of market and technological developments on net neutrality.

More specifically we believe that attempts to undermine the principle of net neutrality by implementing traffic management and managed services beyond what is reasonably required to maintain a stable network, will invariably lead to situations where certain preferred partners

will be given priority access. It is unlikely that the consumer will be the one to have to pay for what he/she can access online.

Rather it will be companies which will be obliged to pay for ‘visibility’. From the point of view of small and medium sized enterprises (SMEs), including many of our brands, this could potentially mean that the costs of making your website accessible at a reasonable speed to a global customer base would become prohibitive.

- ◆ This will likely lead to less innovation and growth of small businesses in Europe who want to go online - there should be a level playing field of access and visibility online regardless of the size of your business.
- ◆ We believe that it is not in the interest of internet users and our consumers to experience sites at different quality levels and speed, whether in a fixed or mobile environment.

⁵ Telecom Reform Package 2009, Commission Declaration on Net Neutrality (OJ L 337, 18 December 2009).

One of the essential elements to guarantee fair access and competition is transparency of price and volume on networks, something the Commission should encourage Internet Service Providers (ISPs) and Network Operators to disclose. We call on the European Commission to elaborate balanced proposals how and by whom to finance the extra capacity required to support the new traffic, while still upholding the principle of Net Neutrality.

Finally we think it is critical that the European Commission coordinates this approach and commitment to Net Neutrality with its main partners in the world economy, as a global approach surely makes the most sense.

Interoperability / Open standards

LVMH believes Internet users do not want to be locked into one type of device and we think content providers need to know that the format in which they are creating their content runs on the desired device(s). This is particularly relevant as consumers increasingly can access the Internet from a variety of devices, often mobile ones.

We believe that interoperability and open standards play a key role for the development and uptake of new online services and we ask the EC to ensure that interoperability and opens standards remain the basis for innovation in the EU.

IV. What we can offer

LVMH and our brands are investing in new technologies and we will provide high-quality content, including new types of sensorial elements, to fuel digital devices and networks. The EC has rightly stated that this will contribute to the acceptance and further development of ICT, including the uptake of Internet services and infrastructure, among citizens.

As a company that is active both in the online and the physical world, a link we will continue to maintain, we are able to offer our experience in supporting a sustainable business model offline and also online. We can be part of a laboratory of how this offline and online duality is affected by changes in consumer behaviour and the regulatory framework, especially with regards to smaller brands active in the cultural industries.

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